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STATE OF THE STATE MESSAGE

Presented to the
Fifty-Second Legislature
and to the people
of Montana

January 11, 1991

STAN STEPHENS
Governor of Montana

STATE OF THE STATE MESSAGE
PRESENTED TO THE
FIFTY-SECOND LEGISLATURE
AND TO THE PEOPLE OF MONTANA
BY

GOVERNOR STAN STEPHENS

Friday, January 11, 1991, 11:15 a.m.

Mr. President, Mr. Speaker, members of the Fifty-Second Legislative Session, Chief Justice Turnage and members of the Supreme Court, elected state officials, tribal leaders, and fellow Montanans.

Every two years at this approximate date in January, the Governor of Montana is required to address the good people of Montana through his "State of the State" message. I have participated in eight such presentations as a member of the legislature and two years ago I was accorded the honor of delivering this biennial report to the people.

It has been my observation that the events surrounding the State of the State follow a predictable pattern. Members of the Governor's political party usually express support with contents of the speech while some from the opposing party offer degrees of criticism with the views presented. Tradition has held that the State of the State is the Governor presenting his program to the legislature. I would, as I did in unveiling our state budget, like this message to be regarded as a message to the people of Montana as well as the legislature.

In putting together our programs for Montana over the next two years, we have kept in mind those who stand to gain or lose the most from the affairs of government, that being, the people of Montana. Those of you seated in this room today are the elected representatives of those viewing and listening to our activities this morning in their homes and communities throughout the state.

What is it the people want and expect from us? Over the course of the past two years, as I traveled throughout Montana, I have observed and listened. Today I am prepared to report on what I believe is the collective will of our fellow citizens.

First, an observation. We hear of the beltway mentality that prevails in our nation's capitol, the view that the judgment of the federal government is somehow superior to the knowledge and understanding of the people who populate the land beyond Washington, D.C. The vagaries of the beltway mentality are not exclusive to Washington. We can find such an attitude existing in many state capitols, even our own.

We must remind ourselves that our constituency is the people

of Montana: all 56 counties...every city...every town...every community...every household that has entrusted us with representing them. We have a duty to provide responsible and just government based on the people's will. The public expects leadership and a commitment to work together in crafting solutions to the problems that affect the quality of life for all Montanans.

The public will support and understand the need for fair and competitive compensation for state employees. We will recommend such a plan to the legislature this session. The public will not support, nor should they, unrestricted government growth and expansion beyond that required to provide necessary services.

If, as some say, the appropriations process is "doing good with other people's money," then let us remember that a substantial number of the people whose money we appropriate are themselves facing difficult economic times. I refer especially to many in agriculture where depressed crop prices and drought continue to plague much of eastern Montana. A cutback in available timber supply and the failure of Congress to resolve the wilderness debate has reduced the number of timber industry jobs and has stagnated a major industry. When the timber and agriculture economies suffer, the negative effects filter into our Main Street small business community. Despite welcome economic growth in several areas, many hard working Montanans today are struggling to stay even as they endure a downturn in the industries that support their families.

In designing our budget with NO GENERAL TAX INCREASES, we were mindful of these Montanans. I trust the legislature will keep these folks in mind when faced with calls for more spending and more taxes as surely you will be.

While proper credit is not always given, much has been accomplished by those serving in this legislature and by your predecessors, by this administration as well as those executive bodies which have gone before. What has been accomplished since last we met? An impressive amount, much of it is the direct result of legislative authority.

We've instituted a very successful welfare reform program whose theme is that the job of able-bodied Montanans is to get a job and that low income families should have access to the educational training and vocational skills they need to break the cycle of poverty. Our general assistance welfare roles have been cut in half. The five million dollars saved has been redirected to make sure Montana's low income children and pregnant women receive the health care they need to get a good start in life. The legislature authorized this program in 1989. Our administration worked with over one hundred Montanans to put the pieces together and we are extremely proud of the outcome to date. It's but one example of fulfilling the wish of Montanans by WORKING TOGETHER for the common good.

Prior to the last session, and this administration, the Montana Developmental Center at Boulder was decertified for federal payments because of inadequate services and facilities for its developmentally disabled residents. Working through our human service agencies and with Montana's communities the Center at Boulder has been recertified. As part of our service delivery system reform, we've opened up new community-based facilities in Missoula, Billings, Livingston, Helena and Hamilton. Our program for the developmentally disabled has gone from federal sanctions to praise from Montanans and those outside the state. We've improved services while at the same time adding to the economic base of Montana communities. We'll present the legislature the next step in this program.

Montanans have demanded action, not studies, in the environmental arena. Action is what our administration has worked to deliver. We have avoided protracted litigation wherever possible and instead applied our resources toward cleanup and protection. This has been successful in Livingston where extensive cleanup is underway to address a century of rail yard pollution. Likewise, the Clark Fork River Basin and Superfund sites in western Montana have work underway, not simply studies. In addition to these programs, we will present an extensive list of reclamation projects to be funded by the interest from our RIT funds. We're proposing the investment of about \$4 million in mineral tax monies to help finance over \$20 million worth of reclamation and resource development work. These are programs which will improve the quality of life for the Montanans we represent. I encourage your careful study and support for this program.

In 1989, Montana saw a record tourist year with an 11% increase in non-resident travelers in our state. This past year was even bigger: 1990 experienced another 12% jump in tourist numbers, and the amount of money spent by these visitors grew to almost \$700 million. This is happening by design, and it's concrete evidence of the dividends we're receiving from our modest investment in Montana's Travel Promotion Program. Almost thirty cents of every tourist dollar is spent on Main Street Montana. Let's keep this Montana industry growing and strengthening our economy.

Highway construction, always a priority item for Montanans, saw one of its biggest years in history in 1990, and the prospect for the next two years is even better. Over the last year we've begun work to improve over 800 miles of Montana highways. Ninety percent of these projects involve Montana contractors and Montana workers.

A historic fishing and hunting agreement between the State and the Confederated Salish and Kootenai Tribes was signed this Fall. It's an agreement developed after extensive discussions not only

with the tribe, but non-tribal members who are affected by its workings. The agreement is a positive sign and one we hope will be followed by important water and gaming regulation agreements with the Confederated Tribes and Montana's other Indian governments this year and in the years to follow.

Under authorization from the 1989 legislature, we've pursued privatization of programs which can be handled by the private sector at less cost to the Montana taxpayer with no loss of service. We've documented the savings and reduced the size of state government by moving our custodial services, data processing, computer billing and security services into private hands. In our budget, we will request authorization from the legislature to remove Montana from the retail sale of liquor while retaining wholesale market control with no loss of tax revenue coming into the state. The retail sale of liquor is best handled by the private sector and is not a needed and necessary service of state government.

Human services, the environment, economic development and changes in the way state government operates: these are just some examples of what Montanans have asked for and what has taken place during the past two years. Turning from the past to our plans for the future, let me talk about our agenda for Montana. It's a full plate and one which will improve our state and the lives of her people. Much of this agenda has been developed with the help of devoted Montana citizens who have volunteered their time and effort to make our state a better place to live, work and play.

The Big Sky Dividend. our major economic development initiative, will create up to 2,000 new jobs annually for ten years through a partnership of state and local government working to rebuild Montana's infrastructure. It requires no new taxes and no additional state funding, yet it can create a \$600 million investment pool for rebuilding Montana's communities to better compete in the global marketplace. The Big Sky Dividend invests \$20 million of new coal tax proceeds each year of the coming decade into projects upgrading our state's water and sewer systems, transportation facilities, educational equipment, environmental cleanup and other public needs. The money will be used to attract available federal and private funds in matching amounts for every dollar Montana provides. It's a responsible "pay as you go" program which has widespread support among the public we serve. I invite lawmakers to reflect that popular support through passage of this legislation.

Montana's small business operations make up 82% of the economic enterprise in this state, yet this group has great difficulty financing start-up and expansion activities. We advocate correcting that with the Microbusiness Development Act. Using a one-time appropriation from the current Instate Investment Program, we will provide businesses with regular interest loans of up to

\$20,000. The loan payback will finance a revolving small business loan fund. State money will be combined with management training and oversight to ensure the success of these business ventures.

The success of our farms and ranches is important not just in our rural areas but to the well-being of Montanans across the state. Agriculture continues to be the foundation of Montana's economy. Over the past two years, livestock prices have improved significantly in some areas, but our farmers remain heavily dependent on the federal farm program because of drought and low crop prices. It's imperative that we do more to add value to the crops we grow. That's the focus of our agriculture efforts in various state agencies, efforts in which we can show some success. We assisted in the development of the Waxy Hulless Barley processing plant in Dillon, potato chip production in Belgrade, dried flowers prepared for international sale in Plentywood, sun-dried cherries in Kalispell, paddlefish eggs for caviar in Glendive and efforts to reopen the Midland Packing Plant in Billings. These are examples of what can be done, and they're incentive for us to do more.

We will ask for the legislature's stamp of approval on two major agency reorganizations.

- First, we are proposing to better serve the transportation needs of Montanans through the creation of a Department of Transportation. This involves the consolidation of state government's transportation services under one administrative roof. It means more efficient planning, operation and service as well as reduced costs.

- Second, we have developed a plan to consolidate Montana's permitting agencies involved in the development of our natural resources and protection of Montana's water, air and soil into one department while better focusing our efforts in health services and the management of state lands.

Both of these reorganizations have been developed with the assistance and approval of the public these agencies serve. They are designed to encourage responsible development, provide more environmental protection, afford more prompt and reliable service to our customers, and eliminate agency duplication.

We will ask you to join us in addressing the needs of 141,000 Montanans who do not have health insurance. Our "Health Care for Montanans" program addresses this deficiency through private sector incentives for health insurance coverage, strengthened public programs to improve access to health care for low income children and enhanced services for Montana's elderly.

Montana's postsecondary education system is at a crossroads.

Our Education Commission for the Nineties and Beyond has provided us with a blueprint for moving this system along the path of quality. We've endorsed its recommendations and worked within our resources to bring them about. The recommendations are not only about money, but administrative flexibility through lump sum budgeting, smooth transference of credits, continued support for the state's education system and improved coordination of Montana's K-12, postsecondary and life long learning systems.

With legislative assistance, we increased the University System's funding by \$21 million in 1989. We are recommending another 9.6% increase, or about \$17 million, for the coming biennium. Eight million of that amount represents new dollars over and above inflationary factors, pay plan costs and enrollment increases. These funds will be used to meet Regent-identified needs and priorities.

In addition to greater programmatic support, we are recommending \$53 million in capital improvements for our university and college campuses through the state's Long Range Building Program. This funding will construct a number of top priority facilities for the University System including a Business Administration Building at the University of Montana, a Physical Science/Engineering Complex at Montana State University, and improvements to Apsaruke Hall at Eastern Montana College.

For our elementary and high schools, we have increased state support by about \$105 million as directed by our new school funding equalization formula. We are fully funding the program and we recommend that the new funding system have an opportunity to actually work before any major adjustments are made. Indications are that the so-called underfunded schools are closing the gap between their higher spending counterparts. We are meeting the mandate for maintaining quality education through funding equalization.

In addition to the Foundation Program, we heartily endorse continued legislative support of the state's Educational Telecommunications Network Project. This project, tying Montana's schools and communities together through telecommunications, will begin to materialize this year because of a \$300,000 appropriation from the 1989 Legislature and a generous \$150,000 donation from TCI Cablevision. The cable firm has offered another donation of like amount if continued legislative support is given. I'm confident you'll recognize the benefit of this investment and join us in continuing to develop this resource which allows us to take great strides forward in improving access to educational opportunities for all Montana children.

Opportunity is the theme of our Jobs for Montana's Graduates Program as well. Through Jobs for Montana's Graduates we have been working with at-risk high school seniors to ensure that they stay

in school and receive the educational, vocational and personal skills needed to be productive Montana citizens. The program is working as a pilot project now in Butte and Helena. I ask your support in helping us to expand the service to other Montana students in the years to come.

As with higher education, Montana's corrections program is at the crossroads. The Montana State Prison was built for 700-some inmates; at this time over eleven hundred prisoners are incarcerated there. By 1995, our male prison population will be up to fifteen hundred. This is a serious situation, and we must address it. For the non-dangerous offenders, we propose the expansion of pre-release centers and alternative correction programs such as house arrest and other community-based correction activities. While new bricks and mortar are not my desired solution, it's obvious that Montana State Prison needs more cells. We recommend the construction of two new maximum security units and support facilities to be funded by the Long Range Building program. The situation at Deer Lodge is critical. Only through the professional performance of the warden and his staff have we been able to avoid a crisis. I commend their work and I invite you to join me in providing the assistance they need.

As you're aware, we are working with Montana communities to develop a program for a new Women's Prison. We have had good response and the Department of Institutions will be reporting on the progress of our endeavors during this legislative session. Our program offers more opportunities to rehabilitate and improve the lives of these women than we are able to do now. It's success will be a bonus for Montana.

Let me move now to another topic which is vitally important to the economic well-being of this state: our natural resources. During the last year, we brought industry, conservationists, and regulators together to improve the state's mine permitting process. It was an educational process for all parties involved, and you will see the fruits of their labor during this session. Our program streamlines the permitting process, increases public involvement, enhances environmental protection and is worthy of your support. It's been endorsed by those involved in its development as well as those affected by its recommendations.

In a similar fashion, we've developed a State Water Plan for the next two years which emphasizes improved water storage and repairs of Montana's high hazard dams as well as the development of a statewide drought management program. Since taking office, we've worked to be proactive on water issues and our State Water Plan exemplifies these efforts. Our number one water priority in Montana is improvement at the Tongue River Dam in southeastern Montana. The state's Congressional Delegation is working closely with us to move this project forward. Additionally, we will request that lawmakers fund ten Montana water resource improvement

projects. The Water Development Advisory Council, our public oversight committee, has endorsed these projects, and we believe they offer great benefits for Montana's water users.

Montana must play a meaningful role in encouraging the wise use of energy and the responsible development of new energy sources. The current unrest in the Persian Gulf has amplified the urgency for action in this area.

Speaking of the Persian Gulf and the threat of war in that troubled region, I want to recognize the valiant Montana men and women who have been called to serve in Operation Desert Shield.

It has been my honor to bid farewell to most of them as they have departed and today we have with us two members of the Montana National Guard. One who has just returned from active duty in Saudi Arabia and one who leaves for assignment in the Gulf tomorrow. These soldiers are fitting representatives of Montanans serving in the Armed Forces to whom we extend our gratitude and our deep sense of pride for their service to our state and nation.

May I present these honored guests.

-Having just returned from the Persian Gulf, MAJOR ARTHUR HEFFELFINGER, a helicopter test pilot;

-With his wife, DELMA, and son, DARRIN, SPECIALIST DAVID SOMMERS, who will tomorrow depart for the Gulf.

Thank you very much for being here.

Returning to the need for a new state energy policy, Montana has been a leader in energy conservation. We're continuing that role with the state's paper recycling program initiated by this administration. Montana has lagged in energy production, not because we lack energy resources but because state policies have discouraged it. We need to turn that around for the benefit of our state and the nation. We will be seeking legislation that makes production of Montana's oil and natural gas more competitive with surrounding states. Our program is aimed at creating an energy policy package balanced between both production and conservation.

A number of recommendations we have for the state require very difficult decisions. Our administration and many Montanans have struggled with these issues. As is our responsibility and duty, we have reached conclusions based on thorough research and evaluation of the facts at hand. We are prepared to demonstrate that our plans are sound and that these difficult choices will lead to

improvements in services and fair treatment for Montanans.

Our recommendation to close the Galen facility and transfer its current services to other state institutions and private services is one of these difficult choices. To keep Galen open only serves the status quo and does not address the service needs of the nursing home patients there, the acute medical care patients and the Montanans who are in need of treatment for chemical and alcohol abuse problems. It's an underutilized, over-aged facility which is not serving Montanans in the best manner possible. We can do better, and our reorganization plan allows us to do that.

Pension reform is an issue carried over from the 1989 Legislature. Driven by a U.S. Supreme Court decision, Montana and a host of other states were directed, very specifically, to change the way they were handling pensions. We will present you with a reform program responding to this court mandate. It's a program based on fairness and ability to pay, not just for federal and state pensioners, but private pensioners and retired Montanans with no pensions at all. It's an important fairness issue and an equally important revenue issue. We've addressed both on the basis of equality for all.

The principal document of any legislative session is of course the executive budget. The budget we have presented to the 52nd Legislature funds the services of government, responds to several increased needs, and, as required by the Constitution, the budget balances expenditures with available revenues. This is accomplished with NO GENERAL INCREASE in either property, income or selective sales taxes. We eliminate the current 5% income tax surcharge. The budget still allows us to move forward with the full agenda I've summarized for you this morning. It's a budget which presents new programs to improve state and local services, and to create jobs and economic growth while funding needed and necessary programs for our citizens. That's exactly what Montanans have asked for.

Despite the activity funded by our budget, it will generate some discontent among special interest groups and those who requested increases beyond our ability to fund them. I would point out that DOUBLING the taxes paid by EVERY Montanan still would not guarantee complete satisfaction among recipients of public funds. We have been ingrained all our lives with the desire to say "YES" when the facts often call for us to say "NO." We have a duty to do what's right and that means risking being unpopular at times. This, in my judgment, is a small price to pay in discharging our responsibilities.

Glancing back over the decade of the 80s, General Fund appropriations were pegged at \$503 million in the 1981 biennium. They advanced to \$681 million in 1983, up to \$758 million in 1987, and to \$892 million in the current biennium. That's a 78% increase over the decade. The budget for the coming biennium, 1992-93,

decreases spending in all areas except human services and education. Federal and court mandates plus the strong commitment of Montanans in these areas fuel the increases. Again, let me emphasize: together this legislature and our administration can responsibly fund state services...from education to economic development and improved human services...WITHOUT A GENERAL INCREASE IN TAXES.

The basic theme of the message I have received from the people we serve--Montanans--is that the private sector is in a period of financial restraint. Our citizens are insisting that proposals on how government might INCREASE spending give way to efforts by government to curb its historical record for more programs and more government. They are asking us to develop strategies to maintain needed services while implementing procedures to REDUCE expenditures wherever possible.

People in our state pay taxes willingly. We have the most successful voluntary tax system in the world. But until public confidence is restored in both the taxing and spending policies of government and until a bond of trust is established based upon wise and prudent stewardship by government and responsiveness to the public will...until that time, any tax reform proposal placed before the voters of Montana is destined to be defeated. An important link in the chain of mutual trust could be achieved in this session with the passage of a Constitutional Amendment calling for a spending limitation on future budgets. The administration supports this type of action.

Certainly, I am aware of the dramatic change that has taken place in this body since the last session. For the first time in many years, both houses of the legislature are governed by large majorities of the governor's loyal opposition. This gives the people of Montana a rare opportunity...an opportunity to compare the ideas represented by our occasionally differing philosophies and points of view.

In the time allotted to me this morning, I have presented an overview of a comprehensive program of our administration. We have addressed major projects, outlined the basis for recommendations and provided revenue and expenditure levels to fund these proposals. We have balanced the budget and left an adequate fund balance on which to build for the next two years.

The new legislative majority has the authority and the opportunity to present an agenda of its own. In those areas where our agenda do not agree, we will work together to find solutions. I would simply ask that the majority make clear its vision for the state and the people of Montana, as I have done here this morning. May whatever criticism that is offered to administration plans be accompanied by thoughtful ideas and alternative solutions.

We are, of course, a three branch system of government. I want to recognize and commend the workings of our state judiciary and the Montana Supreme Court members in attendance here today. You have faced the challenges of increasing caseloads in a timely and deliberate manner, and, in general, your decisions have reflected the public will of Montanans. I am encouraged by the court's efforts in strict enforcement of ethics, standards for admission to the bar and practice, and pursuing alternative dispute resolutions. These efforts serve Montana well.

In conclusion, the directors of our state agencies, my staff and I have devoted considerable thought as to how we might best communicate our message to the people of Montana and members of the legislature. The biennial State of the State message itself presents but a general synopsis of where we have been, where we are and where we are going. Historically, it is not a document which has proven to be in great demand. In order to communicate as thoroughly as possible and to provide a detailed and graphic accompaniment to the State of the State message, my remarks this morning will be but an insert within a 20-page brochure that elaborates in greater detail the substance of our program over the past two years and our recommendations for the 1992-93 biennium. This brochure, with a regal elk displayed on its cover, will be distributed to public libraries and organizations around the state in order to better communicate the accomplishments of the past and the plans for the future.

I very much appreciate the opportunity to address this assembly and the people of Montana on the issues and concerns of importance to us all. I extend to each member of the legislature my hand of friendship and cooperation for the endeavors you are about to undertake. Together we can...and together I trust we will...make the 1991 session a gathering which will be remembered as being "THE MONTANA SESSION" in recognition of the achievements we were able to make to assure a better Montana for us all.

THANK YOU.

